



TUCSON SUPPLEMENTAL RETIREMENT SYSTEM

PLAN SUMMARY & INFORMATION GUIDE

BOARD OF DIRECTORS

CHAIRMAN:

Brian Bjorndahl
Appointed by Mayor and Council

MEMBERS:

J. Scott Douthitt
Finance Director

Suzanne Machain
Human Resources Director

John C. Moore
Appointed by City Manager

Marie Nemerguth
Elected by Membership

John O'Hare
Elected by Membership

RETIREE MEMBER:

Paul D. Miner
Elected by Retired Membership

RETIREMENT PROGRAM MANAGER:

Michael A. Hermanson, CPA



TUCSON SUPPLEMENTAL RETIREMENT SYSTEM

Dear Contributing Member:

This description of the Tucson Supplemental Retirement System is provided to you as a resource in determining what pension benefits you are entitled to through the City of Tucson, and when you are eligible for those benefits. Please take time to read this booklet and familiarize yourself with the City's retirement system and its benefits.

Retirement is an important and forthcoming event in every working person's life. It is also an event for which good planning is essential if it is to be enjoyed. Familiarize yourself with the System; if you have any questions, please contact the TSRS office at 791-4598.

Respectfully,

Michael A. Hermanson, CPA
Retirement Manager

HISTORY OF THE TUCSON SUPPLEMENTAL RETIREMENT SYSTEM

The Tucson Supplemental Retirement System (TSRS) was established in 1953 by amendment to the City Code. Details are in Chapter 22, Article 3 of the Code (Ordinance), and are presented in a simplified manner on the following pages. In the event of discrepancies between this document and City Ordinance, the latter will take precedence.

The System is a defined benefit plan, qualified under IRS Code Section 401(a), and provides you with pension benefits calculated using a formula based on your years of creditable service, average final compensation and a multiplier. The Fund consists of assets pooled from contributions by the employee and employer, as well as investment earnings.

GOVERNING AUTHORITY

The TSRS is managed by a Board of Trustees, consisting of a Chairman appointed by the Mayor and Council, the Finance Director, the Human Resources Director, and two contributing City employees who are members of the System nominated and elected by the membership. Additionally, there is one retiree who is nominated and elected by the retired members of the System and one member appointed by the City Manager.

The Tucson Supplemental Retirement System's office is located on the 1st Floor (east) of City Hall at 255 West Alameda. Questions can be answered by calling 791-4598.

MEMBERSHIP IN THE PLAN

Membership for full-time or part-time eligible employees hired after August 1988, occupying covered positions begins immediately upon hire. Employees hired before then could not participate during the first year of employment. As a condition of employment, enrollment is mandatory and contributions will automatically be deducted from the member's paycheck on a pre-tax basis. Effective October 4, 2004, newly hired part-time employees are not eligible for membership in TSRS. Employees specify a beneficiary and are responsible for updating this information when necessary.

If you are serving in an appointed position, membership is available upon request. You will be notified of eligibility and provided with the appropriate forms.

PURCHASE, TRANSFERS OR REDEMPTION OF CREDITABLE SERVICE

The retirement system permits active TSRS members to purchase creditable service for any periods of prior government service for which the member will not receive pension benefits. Prior service that may be purchased includes prior military service or any verified service time worked for the City of Tucson or another governmental employer. Employees must obtain verification of their prior service before making application with the Retirement office.

The retirement system offers reciprocity for active members desiring to transfer their service credits between the system and the Arizona State Retirement System.

In addition, active members that have prior service credits residing in a pension system other than ASRS may apply to transfer these credits at the Retirement office. If a rehired member previously elected to receive a refund of their pension contributions upon termination, the member may elect to re-establish service credits. For more complete information on the benefits and costs associated with adding service credits, contact the Retirement office.

CONTRIBUTIONS

Contributions to the System are prescribed by the Mayor and Council. They come from two sources: the City and the employee. Contributions are submitted bi-weekly to TSRS. As a member, you contribute 5% of your base salary. The City contributes at a rate necessary to keep the System actuarially sound. Contributions made after January 1, 1987, are not subject to State or Federal income tax at the time they are made. The contributions will be taxed at the time you receive them.

DEATH BENEFIT WHILE EMPLOYED

If you die with less than five (5) years of creditable service and before becoming eligible for early or normal retirement, your beneficiary will receive the full amount of your contributions plus interest. If you have not named a beneficiary, this amount will be paid to your estate.

If you die after having five (5) or more years of creditable service, but before being eligible for early or normal retirement, your primary beneficiary, if a spouse or similar co-habitant, will have one of two options to select from:

1. A refund of your contributions plus interest plus a like amount from the City; or
2. A lifetime monthly benefit equal to one-half of a normal retirement benefit (based on the member's number of years of creditable service up to the date of death).

$$\begin{aligned} &\text{Average Final Compensation} \times 2.25\% \times \text{Years of Creditable Service} = \\ &\quad \text{Normal Retirement Benefit} \\ &\text{Normal Retirement Benefit} \div 2 = \text{Death Benefit} \end{aligned}$$

Should you continue to work after becoming eligible to retire, contact the Retirement Office to complete a Pre-Retirement Benefit Option Selection form. This will ensure that the maximum benefit is available to your spouse in the event of your death. If you die after becoming eligible for normal service retirement and have filed an option selection for retirement benefits, your beneficiary would receive benefits based on that option. If you do not have an option on file, your main beneficiary would have the same options available as described similar to having five (5) or more years of creditable service but not eligible for retirement.

REFUND

Should you resign from employment prior to being a member of the System for five (5) years, upon completing an application for refund, your contributions plus interest will be refunded to you. You may take receipt of the funds, which would be a taxable event, or the pre-tax contributions may be “rolled over” to certain tax qualified plans, which would not be currently taxable. If you do not complete an application for refund specifying how the funds are to be paid, after 60 days the refund will be made directly to you and will be subject to taxes.

Should you resign from employment after attaining five (5) years of creditable service and elect a refund you will forfeit your right to receive a monthly pension benefit (See Deferred Retirement, Page 9).

ELIGIBILITY FOR NORMAL SERVICE RETIREMENT

You become eligible for normal retirement benefits after attaining the age of 62 with any number of years of creditable service or when a combination of your age, years of creditable service, and unused sick leave and vacation leave totals at least 80.

BENEFITS

Several income options are available to retiring members. Regardless of the income option selected, the following two principles apply:

1. Benefits are guaranteed for the lifetime of the retiring member; and
2. The City guarantees a payout of at least twice the member’s contributions and interest. If the member dies before this much is paid, the difference will be paid to the beneficiary or estate.

For ease in understanding the following explanations, refer to these definitions:

1. COMPENSATION

For the purpose of calculating your retirement benefit, compensation includes regular time worked, longevity, and any unused vacation and sick leave accrued at retirement. Shift pay and overtime earnings are not included as compensation in calculating retirement benefits.

2. AVERAGE FINAL COMPENSATION

Effective July 1, 2001, average final compensation is the average of the highest consecutive 36 months (3 years) earnings during the last 120 months (10 years) before the date of retirement.

3. MULTIPLIER

The percentage factor (2.25%) established by the Mayor and Council, representing the annual rate at which a member accrues benefits.

4. CREDITABLE SERVICE (Years employee made contributions to TSRS)

A member shall receive credit for each year or part of a year worked, including authorized periods of absence for which the member received compensation and contributed to the System, based upon a 2080 - hour year.

These three components of the benefit formula are used to determine the size of your Normal Retirement Benefit. The calculation is performed as follows:

Average Final Compensation X 2.25%

X Years of Creditable Service =

Normal Retirement Benefit

All other options are based on actuarial reductions of the Normal Retirement Benefit. That is, the following options provide a portion of the Normal Retirement Benefit to reflect the life expectancy of you and your beneficiary. Contact the TSRS office prior to your expected retirement date so that explanations and necessary documentation can be provided.

JOINT AND SURVIVOR OPTIONS

(100%, 75% or 50%)

Three options are available to you, with benefits payable for your lifetime. Following your death, benefits will continue to your beneficiary at the same level (Joint and Survivor 100%), at three-fourths the level (Joint and Survivor 75%), or at one-half the level (Joint and Survivor 50%). Benefits will continue for the lifetime of the survivor.

LIFE OR TERM CERTAIN

(5, 10, or 15 Years)

Three options are available, with benefits payable for your lifetime. If you die before the selected term has passed (measured from the date of the first benefit check), your named beneficiary will continue to receive benefits until the end of the term. Once the term has expired, no payments will be made to any beneficiary.

EARLY RETIREMENT

To receive an early retirement benefit, you must be at least 55 years of age and have 20 years of creditable service. It provides a benefit which is reduced to allow for the earlier and longer payout period.

DEFERRED RETIREMENT

Designed for members who leave employment after obtaining five (5) years of creditable service but before becoming eligible to start receiving monthly benefits. Members must apply for a deferred benefit at termination. Benefit payments will start upon attainment of normal retirement.

DISABILITY RETIREMENT

If you have been a member of TSRS for five or more years and are totally and permanently disabled, you may apply for disability retirement benefits. Board approval is required prior to receipt of benefits and may require periodic physical evaluation for continued eligibility prior to attaining normal retirement date. A disability retirement benefit is calculated using the same formula used for a Normal Retirement Benefit (see Page 6).

REFUND GUARANTEE

The City guarantees a payout of at least twice the member's contributions and interest. If a member dies before this much is paid, the difference will be paid to the surviving spouse, or the spouse may elect to receive one half of the member's benefit for their own life time.

ADDITIONAL INFORMATION

MEMBER RESPONSIBILITIES

Notification to the plan of any of the following:

1. Beneficiary designation
2. Change of address:

Active Employees - Notify the Payroll Time Clerk for your Department/Organization

Retired Employees - Notify TSRS Office (791-4598)

3. Schedule meeting with TSRS Office at least two weeks prior to retirement date
4. Employees who are eligible for retirement should file a Pre-Retirement Benefit Option Selection form with the TSRS Office.
5. Change of employment status - resignation, rehire, return from leave without pay, return from authorized military leave, return to work after retirement, etc.

PLAN RESPONSIBILITIES

The City of Tucson, as administrator of the TSRS plan, will provide the following to its members:

1. Accessible Board of Directors and service oriented staff
2. Annual Contribution Record statements (active or deferred)
3. Benefit estimates upon request
4. Annual 1099R tax statement (retired)
5. Prompt processing of requests to refund contributions upon separation of service
6. Verification of pension income (retired) or contribution balance (employed) with appropriate authorization from you for loan, court or medical processes
7. Comprehensive Annual Financial Report (available for viewing at our office, limited copies available for distribution)
8. Annual pre-retirement seminars; updated Retirement Plan information at annual Benefits Fair



**FOR ADDITIONAL INFORMATION ABOUT RETIREMENT AND
DEFERRED COMPENSATION PLEASE CONTACT:**

TUCSON SUPPLEMENTAL RETIREMENT SYSTEM
255 WEST ALAMEDA
CITY HALL, 1st FLOOR, EAST

PHONE: (520) 791-4598

FAX: (520) 791-5942

E-MAIL: TSRS (Internal GroupWise Mailbox)
TSRS@TUCSONAZ.GOV (External)